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IN THE

Supreme Court of the United States

OCTOBER TERM, 1947.

No. 318

MISHAWAKA RUBBER AND WOOLEN MANUFACTURING COMPANY,
Petitioner,

vs.

S. S. KRESGE COMPANY,
Respondent.

PETITIONER'S REPLY TO RESPONDENT'S BRIEF.

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PETITIONER'S REPLY TO RESPONDENT'S BRIEF.

Respondent's brief contains numerous inaccuracies and misleading implications, and accordingly the petitioner avails itself of its right under paragraph 4(a) of Rule 38 to file this reply.

In its brief respondent seeks to attach controlling importance to certain supplemental findings of the District Court and to the findings of the District Court on the accounting.

The supplemental findings on which respondent relies pertain principally to the absence of "direct proof." The District Court did not change or alter its original findings but adhered thereto notwithstanding the absence of certain direct proof.

The respondent places special reliance upon the findings of fact and conclusions of law which the District

Court entered in connection with the accounting herein. These findings and conclusions, however, are inconsistent with the previously settled findings and conclusions, and are the very essence of the present proceeding.

These findings and conclusions, petitioner contends, are erroneous and do not accord with the District Court's earlier findings which became and are the settled law of the case unless and until they are set aside by this Court.

Litigation Expense.

The respondent's discussion of the cases in which litigation expenses have been allowed or denied as a measure of damages supports the petitioner's contention for respondent agrees that where an infringer has been guilty of wilful and wanton infringement, litigation expenses may be properly allowed as damages. (Respondent's Brief, page 14.)

The respondent, however, urges that it was not such an infringer, and quotes the District Court's finding of fact *on the accounting* in support of this proposition. (Respondent's Brief, page 8.)

This was not a proper finding of fact by the District Court as the wilful and wanton character of this trademark infringement was settled at the time of the original proceedings herein.

The portion of the Court of Appeals opinion quoted in the respondent's brief is misleading. It states that there is no evidence that the infringing marks were "**Adopted**" for fraudulent reasons. (Respondent's Brief, page 8.) No matter how innocent the infringement may have been at its inception, the persistence with which it was continued and the respondent's violation of its promise to change to a color unlike red show conclusively the

respondent's bad faith. The Court of Appeals, itself, declared that fraud would be presumed, and that is the law of this case. *Mishawaka Rubber & Woolen Mfg. Co.* v. *S. S. Kresge Co.* (CCA6), 119 F. 2d 316, 324 (Short R. 159). Being thus presumed, no argument about innocence of adoption or lack of "direct proof" can characterize it otherwise.

Conflict of Authority.

The respondent urges that there is no conflict of authority between the Sixth and Seventh Circuits because, in the case of *K. W. Ignition Co.* v. *Temco Electric Motor Co.* (CCA6), 283 Fed. 873, the Sixth Circuit Court of Appeals awarded litigation expenses as damages arising out of wilful trade-mark infringement. As the respondent says, this is in harmony with the view of the Seventh Circuit Court of Appeals in *Aladdin Mfg. Co.* v. *Mantle Lamp Co.* (CCA7), 116 F. 2d 708 (Respondent's Brief, page 14).

However, the decision of the Sixth Circuit Court of Appeals in the present case in effect overrules its earlier decision in the *K. W. Ignition* case and creates a conflict with the Seventh Circuit which did not exist previously.

It is the law of this case that the respondent's infringement was fraudulent because it was continued after notice. Regardless of what the Sixth Circuit Court of Appeals may have done in the past, it did not allow litigation expenses as damages in this case, where, under the mandate of this Court, the respondent was required to account for any damages beyond the loss of profits suffered by the petitioner. The failure to award such damages does conflict with the decision of the Seventh Circuit Court of Appeals in the *Aladdin* case in which the same question was involved, and it is this conflict which the petitioner asks this Court to review.

Respondent's Authorities.

The respondent in its brief cites certain decisions of this Court in which attorney's fees were not allowed as damages, but none of these cases related to the question involved in this case and in the Seventh Circuit's *Aladdin* case. The question involved here pertains to cases of wilful and wanton trade-mark infringement and unfair competition, continued after direct notice, where the trade-mark owner is forced to resort to the courts in order to obtain relief.

There is no question about the petitioner's ownership of the red circular figure as a trade-mark for rubber heels. It is settled that the respondent's red and reddish circular marks on its rubber heels infringed the petitioner's federally registered trade-mark. It is settled, also, that upon receiving direct notice of infringement and agreeing to respect the petitioner's trade-mark rights, the respondent not only failed to do so, but also procured more infringing heels from a new source.

It is clear that this litigation was necessitated because the respondent did not do what it said it would do—because of the respondent's bad faith.

Evidently the respondent recognized in 1933 that it had no right to use the red circular figure trade-mark for it agreed to change. Instead of doing so it ordered more heels with red circular figures in 1934 and was still selling them in 1935, in utter disregard of its assurances to the contrary.

It respectfully submitted that under these circumstances, this protracted litigation stems directly from the respondent's bad faith, and the respondent should be required to bear the expense.

Unfair Competition.

We do not understand the respondent's assertion that there was no unfair competition (Respondent's Brief, page 20) because the District Court held specifically as follows:

> "12. * * * the methods used in the sale of defendant's (respondent's) products constituted unfair competition." (Short R. 122.)
>
> "5. The defendant * * * is guilty of unfair competition and such * * * unfair competition continued after direct notice to the defendant." (Short R. 122.)

The foregoing findings have not been modified. They are the law of this case and should be given effect as such!

Ambiguity Not Defined.

The respondent states, incorrectly, that the orange marked heels were found not to infringe at the time the original decree was entered in this case, on December 29, 1939. (Respondent's Brief, page 3.) The respondent cites "Short R. 131" in support of this statement but that page contains no such finding. It contains only the original decree which contains the ambiguous phrase, "red or reddish."

It is true, as the respondent states, that the petitioner asked the District Court to enter a decree which would extend to "red or reddish"—

> "* * * including orange or any colorable variation thereof * * *." (Orig. R. 310.)

In refusing to enter this decree, the District Court was rejecting the *terminology, only.* This is made clear in the subsequent proceedings wherein the District Judge himself stated that he would be inclined to consider the orange-marked heels as reddish. (Orig. R. 321.) In other

words, the District Judge construed the phrase "red or reddish" as including the orange marks and he apparently regarded the terminology suggested by the petitioner as mere surplusage.

Conclusion.

The respondent has resurrected numerous extraneous questions which long since have been settled. Raising them anew serves only to blur the real issues.

It is respectfully urged that the arguments contained in the respondent's brief do not meet the issues raised in the petition for writ of certiorari, and accordingly, that the writ should be granted.

Respectfully submitted,

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